



General Assembly

February Session, 2018

Raised Bill No. 5405

LCO No. 1525



Referred to Committee on BANKING

Introduced by:
(BA)

AN ACT CONCERNING CONNECTICUT CREDIT UNIONS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-251a of the general statutes is repealed and
2 the following is substituted in lieu thereof (*Effective October 1, 2018*):

3 The commissioner shall submit an annual report to the joint
4 standing committee of the General Assembly having cognizance of
5 matters relating to banks and credit unions no later than January first.
6 The report shall summarize the commissioner's actions taken pursuant
7 to section 36a-70, 36a-139a₂ [or] subdivisions (41) and (42) of subsection
8 (a) of section 36a-250 or subdivision (23) of section 36a-455a, as
9 amended by this act.

10 Sec. 2. Subsection (a) of section 36a-448a of the general statutes is
11 repealed and the following is substituted in lieu thereof (*Effective*
12 *October 1, 2018*):

13 (a) The governing board of a Connecticut credit union shall be
14 charged with and have control over the general management of the

15 operations, funds, committee actions and records of the credit union.
16 Except to the extent the governing board is otherwise authorized to
17 delegate such authority or unless such action would be detrimental to
18 the financial integrity of the Connecticut credit union, the governing
19 board shall: (1) Establish and adopt written policies necessary to
20 implement the powers of the credit union, which policies shall be
21 approved and reviewed [on at least an annual basis] when amended,
22 including policies governing: (A) Lending in accordance with sections
23 36a-457a, 36a-457b and 36a-458a, (B) investments in accordance with
24 subsection (a) of section 36a-459a, (C) employment and personnel, (D)
25 funds management, (E) collections, (F) charge-offs, (G) conditions of
26 membership, and expulsion of members in accordance with subsection
27 (b) of section 36a-439a, (H) charitable contributions, and (I) conflicts of
28 interest in accordance with sections 36a-454b and 36a-458a; (2) make
29 adequate provision for an allowance for investment losses account in
30 accordance with generally accepted accounting principles and for an
31 allowance for a loan and lease losses account in accordance with
32 generally accepted accounting principles and section 36a-441a; (3)
33 declare dividends in accordance with sections 36a-441a and 36a-456c;
34 (4) authorize interest refunds to members; (5) determine the maximum
35 amount of shares that a member may own; (6) establish different
36 classes of share accounts, including special purpose accounts, classified
37 according to different rights and restrictions; (7) appoint and authorize
38 members of senior management to conduct and supervise the business
39 of the Connecticut credit union and to approve all usual expenditures
40 incident to the conduct of the business of the Connecticut credit union;
41 (8) cause to be obtained and maintained in full force and effect at all
42 times the bond required by subsection (e) of section 36a-437a, and
43 subsection (b) of section 36a-442a; (9) approve loans in accordance with
44 the bylaws of the Connecticut credit union and cause to be prepared
45 each month and maintained on file in the main office of the
46 Connecticut credit union a list of all delinquent loans; (10) authorize
47 any extraordinary expenditures necessary or appropriate for the
48 conduct of the business of the Connecticut credit union; (11) establish a
49 supervisory committee and appoint its members and may establish

50 and appoint members to other committees consistent with its bylaws
51 to carry out the business of the credit union, which committees shall
52 keep complete minutes of all actions taken; (12) fill any vacancies that
53 may arise among the directors, senior management or members of
54 board-appointed committees, in accordance with this section and in
55 the manner provided in the bylaws; and (13) exercise such other
56 authority and perform such other duties as prescribed by sections 36a-
57 435a to 36a-472a, inclusive, and the bylaws.

58 Sec. 3. Section 36a-440a of the general statutes is repealed and the
59 following is substituted in lieu thereof (*Effective October 1, 2018*):

60 (a) A Connecticut credit union shall hold an annual meeting as
61 provided in its bylaws. Special meetings of members shall be held as
62 provided in the bylaws and shall be called by the governing board at
63 the request of a majority of the governing board, at the written request
64 of the supervisory committee, or ten per cent of the members of the
65 credit union or such lesser percentage of such members as provided in
66 the bylaws.

67 (b) Notice of each annual or special meeting shall be given to each
68 member in writing, which may include electronic means, by the
69 secretary at least ten days prior to the annual or special meeting. In the
70 case of a special meeting, the notice shall clearly state the purpose of
71 the meeting and the matters that will be considered.

72 (c) (1) Each member in good standing shall have a single vote at all
73 meetings notwithstanding the number of shares or number of accounts
74 that such member holds.

75 (2) A member may not vote or hold office if the member is less than
76 eighteen years of age.

77 (3) Unless provided otherwise in the bylaws, a member entitled to
78 vote may vote in person, by proxy, by electronic means or by mail
79 ballot.

80 Sec. 4. Section 36a-455a of the general statutes is repealed and the
81 following is substituted in lieu thereof (*Effective October 1, 2018*):

82 A Connecticut credit union may:

83 (1) Transact a general credit union business and exercise by its
84 governing board or duly authorized members of senior management,
85 subject to applicable law, all such incidental powers as are consistent
86 with its purposes. The express powers authorized for a Connecticut
87 credit union under this section do not preclude the existence of
88 additional powers deemed to be incidental to the transaction of a
89 general credit union business pursuant to this subdivision;

90 (2) (A) Issue shares to its members and receive payments on shares
91 from its members and from those nonmembers specified in subsection
92 (e) of section 36a-456a, subject to the provisions of sections 36a-290 to
93 36a-297, inclusive, 36a-330 to 36a-338, inclusive, and 36a-456a, (B)
94 receive deposits of members and nonmembers subject to provisions of
95 sections 36a-456a and 36a-456b, (C) reduce the amount of its member
96 and nonmember shares and deposits, (D) expel members and cancel
97 shares in accordance with section 36a-439a, [and] (E) provide check
98 cashing and wire and electronic transfer services to nonmembers who
99 are within such credit union's field of membership, and (F) operate
100 within or outside the state through physical locations or by electronic
101 means for delivering credit union services;

102 (3) Make and use its best efforts to make secured and unsecured
103 loans and other extensions of credit to its members in accordance with
104 section 36a-265 and sections 36a-457a, 36a-457b and 36a-458a;

105 (4) Invest its funds in accordance with section 36a-459a;

106 (5) Declare and pay dividends in accordance with sections 36a-441a
107 and 36a-456c, and pay interest refunds to borrowers;

108 (6) Act as a finder or agent for the sale of insurance and fixed and
109 variable rate annuities directly, sell insurance and such annuities

110 indirectly through a Connecticut credit union service organization, or
111 enter into arrangements with third-party marketing organizations for
112 the sale by such third-party marketing organizations of insurance or
113 such annuities on the premises of the Connecticut credit union or to
114 members of the Connecticut credit union, provided: (A) Such
115 insurance and annuities are issued or purchased by or from an
116 insurance company licensed in accordance with section 38a-41; and (B)
117 the Connecticut credit union, Connecticut credit union service
118 organization or third-party marketing organization, and any officer
119 and employee thereof, shall be licensed as required by section 38a-769
120 before engaging in any of the activities authorized by this subdivision.
121 As used in this subdivision, "annuities" and "insurance" have the same
122 meanings as set forth in section 38a-41, except that "insurance" does
123 not include title insurance. The provisions of this subdivision do not
124 authorize a Connecticut credit union or Connecticut credit union
125 service organization to underwrite insurance or annuities;

126 (7) Borrow money to an amount not exceeding fifty per cent of the
127 total assets of the Connecticut credit union provided the credit union
128 shall give prior notice to the commissioner in writing of its intention to
129 borrow amounts in excess of thirty-five per cent of its total assets;

130 (8) Act as fiscal agent for the federal government, this state or any
131 agency or political subdivision thereof;

132 (9) Provide loan processing, loan servicing, member check and
133 money order cashing services, disbursement of share withdrawals and
134 loan proceeds, money orders, internal audits, automated teller
135 machine services, ACH and wire transfer services, prepaid debit cards,
136 payroll cards, digital wallet services, coin and currency services,
137 remote deposit capture services, electronic banking and other similar
138 services to members and other Connecticut credit unions, federal
139 credit unions, federally insured financial institutions and out-of-state
140 credit unions;

141 (10) Provide finder services to its members, including the offering of

142 third party products and services through the sale of advertising space
143 on its web site, account statements and receipts, and the sale of
144 statistical or consumer financial information to outside vendors in
145 accordance with sections 36a-40 to 36a-45, inclusive, in order to
146 facilitate the sale of such products to the members of such Connecticut
147 credit union;

148 (11) With the prior approval of the commissioner, exercise fiduciary
149 powers;

150 (12) Maintain and rent safe deposit boxes within suitably
151 constructed vaults, provided the Connecticut credit union has
152 adequate insurance coverage for losses related to such rental;

153 (13) Provide certification services, including notary services,
154 signature guaranties, certification of electronic signatures and share
155 draft certifications;

156 (14) Act as agent (A) in the collection of taxes for any qualified
157 treasurer of any taxing district or qualified collector of taxes, or (B) for
158 any electric distribution, gas, water or telephone company operating
159 within this state in receiving moneys due such company for utility
160 services furnished by it;

161 (15) Issue and sell securities which (A) are guaranteed by the
162 Federal National Mortgage Association or any other agency or
163 instrumentality authorized by state or federal law to create a
164 secondary market with respect to extensions of credit of the type
165 originated by the Connecticut credit union, or (B) subject to the
166 approval of the commissioner, relate to extensions of credit originated
167 by the Connecticut credit union and are guaranteed or insured by a
168 financial guaranty insurance company or comparable private entity;

169 (16) Establish a charitable fund, either in the form of a charitable
170 trust or a nonprofit corporation to assist in making charitable
171 contributions, provided (A) the trust or nonprofit corporation is
172 exempt from federal income taxation and may accept charitable

173 contributions under Section 501 of the Internal Revenue Code of 1986,
174 or any subsequent corresponding internal revenue code of the United
175 States, as from time to time amended, (B) the trust or nonprofit
176 corporation's operations are disclosed fully to the commissioner upon
177 request, and (C) the trust department of the credit union or one or
178 more directors or members of senior management of the credit union
179 act as trustees or directors of the fund;

180 (17) In the discretion of a majority of its governing board, make
181 contributions or gifts to or for the use of any corporation, trust or
182 community chest, fund or foundation created or organized under the
183 laws of the United States or of this state and organized and operated
184 exclusively for charitable, educational or public welfare purposes, or of
185 any hospital which is located in this state and which is exempt from
186 federal income taxes and to which contributions are deductible under
187 Section 501(c) of the Internal Revenue Code of 1986, or any subsequent
188 corresponding internal revenue code of the United States, as from time
189 to time amended;

190 (18) Subject to the provisions of section 36a-455b, sell, pledge or
191 assign any or all of its outstanding extensions of credit to any other
192 lending institution, credit union service organization or quasi-
193 governmental entity and any government-sponsored enterprise, and
194 act as collecting, remitting and servicing agent in connection with any
195 such extension of credit and charge for its acts as agent. Any such
196 credit union may purchase the minimum amount of capital stock of
197 such entity or enterprise if required by that entity or enterprise to be
198 purchased in connection with the sale, pledge or assignment of
199 extensions of credit to that entity or enterprise and may hold and
200 dispose of such stock, provided that with respect to purchases of stock
201 of a credit union service organization, the Connecticut credit union
202 shall not exceed the limitations of section 36a-459a. A Connecticut
203 credit union may purchase one or more outstanding extensions of
204 credit from any other lending institution and any federally-recognized
205 Native American tribe, provided there exists a formal written
206 agreement with tribal government to permit the credit union to service

207 and collect on such extensions of credit;

208 (19) Subject to the provisions of section 36a-455b, sell a participating
209 interest in any or all of its outstanding extensions of credit to and
210 purchase a participating interest in any or all of the outstanding
211 extensions of credit of any financial institution or credit union service
212 organization pursuant to an appropriate written participation and
213 servicing agreement to be signed by all parties involved in such
214 transaction;

215 (20) With the approval of the commissioner, join the Federal Home
216 Loan Bank System and borrow funds as provided under federal law;

217 (21) Subject to the provisions of section 36a-455b, sell all or part of
218 its assets, other than extensions of credit, to other lending institutions,
219 purchase all or part of the assets, other than extensions of credit, of
220 other lending institutions, and assume all or part of the shares and the
221 liabilities of any other credit union or out-of-state credit union;

222 (22) With the prior written approval of the commissioner, engage in
223 closely related activities, unless the commissioner determines that any
224 such activity shall be conducted by a credit union service organization
225 of the Connecticut credit union, utilizing such organizational,
226 structural or other safeguards as the commissioner may require, in
227 order to protect the Connecticut credit union from exposure to loss. As
228 used in this subdivision, "closely related activities" means those
229 activities that are closely related, convenient and necessary to the
230 business of a Connecticut credit union, are reasonably related to the
231 operation of a Connecticut credit union or are financial in nature
232 including, but not limited to, business and professional services, data
233 processing, courier and messenger services, credit-related activities,
234 consumer services, services related to real estate, financial consulting,
235 tax planning and preparation, community development activities, or
236 any activities reasonably related to such activities;

237 (23) [With the approval of the commissioner, engage] Engage in any
238 activity that a federal credit union or out-of-state credit union may be

239 authorized to engage in under state or federal law, [The application
 240 for such approval shall be in writing and] provided the Connecticut
 241 credit union file with the commissioner prior written notice of its
 242 intention to engage in such activity. Such notice shall include a
 243 description of the activity, a description of the financial impact of the
 244 activity on the Connecticut credit union, citation of the legal authority
 245 to engage in the activity under state or federal law, a description of any
 246 limitations or restrictions imposed on such activity under state or
 247 federal law, and any other information that the commissioner may
 248 require. The Connecticut credit union may engage in any such activity
 249 unless the commissioner [shall approve or disapprove] disapproves
 250 such activity not later than thirty days after the [application] notice is
 251 filed. [is complete.] The commissioner [may impose any limitations or
 252 conditions] shall adopt regulations in accordance with chapter 54 to
 253 ensure that any such activity is conducted in a safe and sound manner
 254 with adequate consumer protections. The provisions of this
 255 subdivision do not authorize a Connecticut credit union or a
 256 subsidiary of a Connecticut credit union [service organization] to sell
 257 title insurance.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2018</i>	36a-251a
Sec. 2	<i>October 1, 2018</i>	36a-448a(a)
Sec. 3	<i>October 1, 2018</i>	36a-440a
Sec. 4	<i>October 1, 2018</i>	36a-455a

Statement of Purpose:

To: (1) Allow Connecticut credit unions to, without prior approval from the Commissioner of Banking, engage in any activity that a federal credit union or out-of-state credit union may be authorized to engage in under state or federal law; (2) require the Commissioner of Banking to report certain information; (3) change the requirements for reviewing policies adopted by the governing board of a Connecticut credit union; (4) allow Connecticut credit unions to provide electronic notices of certain meetings; (5) allow members of a Connecticut credit

union to vote by electronic means; and (6) expand the area of operation and services of Connecticut credit unions.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]